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WA-18

The Rising Cost of CETA

I just finished a meeting with employees trying to decipher the requirements from our State's Clean Energy Transformation Act. CETA, as passed by the legislature and the Department of Commerce, was directed to develop rules to implement the act. During development, many of those rules were highly criticized by several utilities as being impractical and, as a result, expensive.



I understood there would be impacts from reducing carbon emissions by not allowing any new natural gas baseload generation while we retire coal plants, and I can see the increasing electric loads due to fuel switching and charging electric vehicles.

Today's wholesale power market prices are more than double what they were two years ago because the supply side is shrinking, and the demand side is increasing. This has increased our wholesale power purchases this year by more than \$2.5 million, which requires about a 9% increase in our retail electric rates to cover said costs. Of that, 3% was passed along this year in electric rate increases, and the remainder is coming unless things improve. Unfortunately, I expect impacts to get worse, not better.

What I did not expect are the impacts of social policies in the bill that have nothing to do with carbon reduction. Our work concludes that we will need to increase our revenue, which are the rates we charge our customers, to pay for required programs to support low-income and under-served communities. Your elected commissioners have long supported and provided low-income programs. However, in addition to those programs, our first review says that in 2030, we will be **required** to collect an **additional** \$1.7 million from some of you and give it to the rest of you, either in cash or in CETA-mandated programs. This is dictated by the Department of Commerce as written in the new rules.

The impacts of the carbon reduction programs and related and unrelated programs on you, our customers, look to me like they will be about \$4.2 million **per year** as of 2030, and we have not finished our reviews of all of the requirements. These numbers will likely change, but you get an idea of the impact.

In all of the discussions, legislative hearings, publications and advertisements, have you heard anything besides "Electricity costs in Washington will go down?" We have argued that costs will go up for all customers as a result of this legislation, and we were soundly told we didn't know what we were talking about.

Meanwhile, the recently completed auction for carbon credits in the State's newly formed carbon cap and trade program netted the State government \$350 million. I wonder how much of that money will be used to fund these increased costs to you?

I just thought you should know.

Jim Smith
General Manager